

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

R

WS-02156A
Rio Verde Utilities- ~~Water~~ Sewer Division
25609 Danny Lane, Ste 1
Rio Verde AZ 85263

APR 15 2005

ANNUAL REPORT

FOR YEAR ENDING

12	31	2004
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FOR COMMISSION USE

ANN04	04
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COMPANY INFORMATION

Company Name (Business Name) Rio Verde Utilities, Inc.

Mailing Address 25609 N Danny Lane, Suite 1
(Street)

Rio Verde
(City)

AZ
(State)

85263
(Zip)

(480) 471-7247

(480) 471-7636

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address rioverde@cox.net

Local Office Mailing Address same
(Street)

(City)

(State)

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address same

MANAGEMENT INFORMATION

Management Contact: Jim Thomson Vice-President
(Name) (Title)

25609 N Danny Lane, Suite 1
(Street)

Rio Verde
(City)

AZ
(State)

85263
(Zip)

(480) 471-7247

(480) 471-7636

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address rioverde@cox.net

On Site Manager: Michael L Kleminski
(Name)

25609 N Danny Lane, Suite 1
(Street)

Rio Verde
(City)

AZ
(State)

85263
(Zip)

(480) 471-2728

(480) 471-7636

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Jim Thomson
(Name)
25609 N Danny Lane, Suite 1 Rio Verde AZ 85263
(Street) (City) (State) (Zip)
(480) 471-7247 (480) 471-7636
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: Richard Sallquist
(Name)
4500 S Lake Shore Dr, Suite 339 Tempe AZ 85285
(Street) (City) (State) (Zip)
(602) 224-9222 (480) 730-0761
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|--|
| <input type="checkbox"/> Sole Proprietor (S) | <input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|--|-----------------------------------|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input checked="" type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME *Rio Verde Utilities, Inc**Sewer Division*UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
351	Organization	1,380		
352	Franchises	-		
353	Land and Land Rights	50,513		
354	Structures and Improvements	280,336		
355	Power Generation Equipment	-		
360	Collection Sewers – Force	61,069		
361	Collection Sewers – Gravity	1,723,698		
362	Special Collecting Structures	194,885		
363	Services to Customers	562,446		
364	Flow Measuring Devices	-		
365	Flow Measuring Installations	-		
370	Receiving Wells	-		
380	Treatment and Disposal Equip.	2,383,397		
381	Plant Sewers	-		
382	Outfall Sewer Lines	-		
389	Other Plant and Misc. Equipment	-		
390	Office Furniture and Equipment	-		
391	Transportation Equipment	32,095		
393	Tools, Shop and Garage Equip.	4,795		
394	Laboratory Equipment	58,224		
395	Power Operated Equipment	-		
398	Other Tangible Plant	76,860		
	TOTALS	5,429,698	1,507,253	3,922,445

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME *Rio Verde Utilities, Inc**Sewer Division***CALCULATION OF DEPRECIATION EXPENSE**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
351	Organization	<i>1,380</i>		
352	Franchises	-		
353	Land and Land Rights	<i>50,513</i>		
354	Structures and Improvements	<i>280,326</i>		
355	Power Generation Equipment	-		
360	Collection Sewers – Force	<i>61,069</i>		
361	Collection Sewers – Gravity	<i>1,723,698</i>		
362	Special Collecting Structures	<i>194,885</i>		
363	Services to Customers	<i>562,446</i>		
364	Flow Measuring Devices	-		
365	Flow Measuring Installations	-		
370	Receiving Wells	-		
380	Treatment and Disposal Equip.	<i>2,383,397</i>		
381	Plant Sewers	-		
382	Outfall Sewer Lines	-		
389	Other Plant and Misc. Equipment	-		
390	Office Furniture and Equipment	-		
391	Transportation Equipment	<i>32,095</i>		
393	Tools, Shop and Garage Equip.	<i>4,795</i>		
394	Laboratory Equipment	<i>58,224</i>		
395	Power Operated Equipment	-		
398	Other Tangible Plant	<i>76,860</i>		
	TOTALS	<i>5,429,698</i>	<i>2.60225 %</i>	<i>78,660</i>

This amount goes on the Comparative Statement of Income and Expense Acct. 403

COMPANY NAME

Rio Verde Utilities, Inc.

Saver Division

BALANCE SHEET

Acct No.	ASSETS	BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 10,352	\$ 18,898
132	Special Deposits		
135	Temporary Cash Investments	388,389	458,938
141	Customer Accounts Receivable	38,049	33,997
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments	122,436	140,526
174	Miscellaneous Current and Accrued Assets	163,688	149,695
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 722,914	\$ 802,154
	FIXED ASSETS		
101	Utility Plant in Service	\$ 5,425,420	\$ 5,429,698
103	Property Held for Future Use	1,290,354	1,290,354
105	Construction Work in Progress	77,662	167,192
108	Accumulated Depreciation – Utility Plant	<1,367,285>	<1,507,253>
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 5,426,151	\$ 5,379,991
	TOTAL ASSETS	\$ 6,149,065	\$ 6,182,145

NOTE: Total Assets on this page should equal **Total Liabilities and Capital** on the following page.

COMPANY NAME *Rio Verde Utilities, Inc.**Senior Division***BALANCE SHEET (CONTINUED)**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 85,902	\$ 46,804
232	Notes Payable (Current Portion)	105,967	114,170
234	Notes/Accounts Payable to Associated Companies	15,316	-
235	Customer Deposits		
236	Accrued Taxes	2,229	29,091
237	Accrued Interest		12,353
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 209,414	\$ 202,418
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 2,613,910	\$ 2,506,327
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits	24,513	22,069
271	Contributions in Aid of Construction	2,331,379	2,362,879
272	Less: Amortization of Contributions	(577,998)	(639,307)
281	Accumulated Deferred Income Tax	206,561	214,740
	TOTAL DEFERRED CREDITS	\$ 1,984,455	\$ 1,960,381
	TOTAL LIABILITIES	\$ 4,807,779	\$
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 1,428,357	\$ 1,428,357
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	(87,071)	84,662
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 1,341,286	\$ 1,513,019
	TOTAL LIABILITIES AND CAPITAL	\$ 6,149,065	\$ 6,182,145

COMPANY NAME

Rio Verde Utilities, Inc

Sewer Division

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
521	Flat Rate Revenues	\$ 830,241	\$ 848,991
522	Measured Revenues		
536	Other Wastewater Revenues	44,473	54,799
	TOTAL REVENUES	\$ 874,714	\$ 903,790
	OPERATING EXPENSES		
701	Salaries and Wages	\$ 84,120	\$ 94,636
710	Purchased Wastewater Treatment	-	
711	Sludge Removal Expense	11,643	10,395
715	Purchased Power	53,609	60,966
716	Fuel for Power Production	-	
718	Chemicals	22,723	24,623
720	Materials and Supplies	5,853	5,593
731	Contractual Services – Professional	4,542	4,207
735	Contractual Services – Testing	1,542	1,738
736	Contractual Services – Other	62,135	62,095
740	Rents	-	-
750	Transportation Expense	4,106	6,656
755	Insurance Expense	22,508	21,000
765	Regulatory Commission Expense	10,000	3,333
775	Miscellaneous Expense	164,307	120,279
403	Depreciation Expense	78,729	78,660
408	Taxes Other Than Income	20,286	9,164
408.11	Property Taxes	17,050	31,119
409	Income Taxes	81,761	65,551
	TOTAL OPERATING EXPENSES	\$ 644,914	\$ 600,115
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	\$ 35,816	\$ 31,898
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	<162,930>	<163,838>
	TOTAL OTHER INCOME/EXPENSE	\$ <127,114>	\$ <131,940>
	NET INCOME/(LOSS)	\$ 102,686	\$ 171,735

COMPANY NAME *Rio Verde Utilities, Inc.* *Sewer Division*

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	<i>6/22/96</i>	<i>12/5/01</i>		
Source of Loan	<i>Co Bank</i>	<i>Co Bank</i>		
ACC Decision No.	<i>59392</i>	<i>63585</i>		
Reason for Loan	<i>Plant Expansion</i>	<i>Plant Expansion</i>		
Dollar Amount Issued	\$ <i>2,000,000</i>	\$ <i>1,179,398</i>	\$	\$
Amount Outstanding	\$ <i>1,525,206</i>	\$ <i>1,095,291</i>	\$	\$
Date of Maturity	<i>6/20/2016</i>	<i>12/21/2021</i>		
Interest Rate	<i>1/2 variable</i> <i>1/2 9.8% %</i>	<i>variable %</i>	<i>%</i>	<i>%</i>
Current Year Interest	\$ <i>114,319</i>	\$ <i>49,519</i>	\$	\$
Current Year Principle	\$ <i>75,131</i>	\$ <i>24,247</i>	\$	\$

COMPANY NAME	<i>Rio Verde Utilities, Inc</i>	<i>Sewer Division</i>
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WASTEWATER COMPANY PLANT DESCRIPTION

TREATMENT FACILITY

TYPE OF TREATMENT (Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	<i>extended aeration, tertiary treatment with pressure filters & effluent disinfection</i>
DESIGN CAPACITY OF PLANT (Gallons Per Day)	<i>700,000</i>

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
<i>25202 N Forest Rd</i>	<i>3</i>	<i>10</i>	<i>530</i>	<i>2400</i>
<i>" " "</i>	<i>3</i>	<i>5</i>	<i>390</i>	<i>5100</i>
<i>Tonto Verde (east)</i>	<i>2</i>	<i>5</i>	<i>300</i>	<i>1340</i>
<i>" "</i>	<i>1</i>	<i>3</i>	<i>150</i>	<i>—</i>
<i>Bar Bar</i>	<i>2</i>	<i>1</i>	<i>13</i>	<i>146</i>

FORCE MAINS

Size	Material	Length (Feet)
<i>4-inch</i>	<i>PVC</i>	<i>400'</i>
<i>6-inch</i>	<i>PVC</i>	<i>14 441'</i>
<i>2-inch</i>	<i>HDPE</i>	<i>2,500'</i>

MANHOLES

Type	Quantity
<i>Standard</i>	<i>473</i>
<i>Drop</i>	<i>118</i>

CLEANOUTS

Quantity
<i>102</i>

COMPANY NAME

Rio Verde Utilities, Inc.

Sewer Division

WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)**COLLECTION MAINS**

Size (in inches)	Material	Length (in feet)
4		
6	PVC	5951
8	PVC	132,775
10	"	1312
12	"	12586
15	"	5200
18		
21		
24		
30		
8	DIP	380

SERVICES

Size (in inches)	Material	Quantity
4	PVC	1627
6		
8		
12		
15		

FOR THE FOLLOWING FIVE ITEMS, LIST THE UTILITY OWNED ASSETS IN EACH CATEGORY

SOLIDS PROCESSING AND HANDLING FACILITIES	Vacuum & Plate Presses w/ 25 cu yard container
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	Hypochlorination w/ 12 1/2 % Bleach (1500 gal. Bulk storage)
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	7 Dual media pressure sand filter
STRUCTURES (Buildings, Fences, Etc.)	Lab-office Bldg. w/ WTP enclosure, Blower & Maintenance Bldgs (3)
OTHER (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.)	2 - 75 kw } Standby generator 1 - 130 kw } 1 - 230 kw } Spectrophotometer, turbidimeter, autoclave, ovens, incubators

COMPANY NAME

Rio Verde Utilities, Inc.

Sewer Division

WASTEWATER FLOWS

MONTH/YEAR (Most Recent 12 Months)	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW	SEWAGE FLOW ON PEAK DAY
2/05	1561	6,165,000	305,000
1/05	1538	6,240,000	307,000
12/04	1535	5,373,000	247,000
11/04	1530	5,345,000	221,000
10/04	1527	3,556,000	170,000
9/04	1522	2,793,000	113,000
8/04	1519	2,578,000	145,000
7/04	1503	2,720,000	124,000
6/04	1491	3,244,000	164,000
5/04	1482	3,991,000	168,000
4/04	1481	6,153,000	261,000
3/04	1481	6,594,000	314,000

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	Reuse
Wastewater Inventory Number (all wastewater systems are assigned an inventory number)	37-121
Groundwater Permit Number	NA
ADEQ Aquifer Protection Permit Number	P100197
ADEQ Reuse Permit Number	R100197
EPA NPDES Permit Number	NA

STATISTICAL INFORMATION

Total number of customers	<u>1535</u>	
Total number of gallons treated	<u>53,639,000</u>	gallons

COMPANY NAME Rio Verde Utilities, Inc

YEAR ENDING 12/31/2004

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>486,548</u>
Estimated or Actual Federal Tax Liability	<u>165,426</u>

State Taxable Income Reported	<u>521,950</u>
Estimated or Actual State Tax Liability	<u>36,369</u>

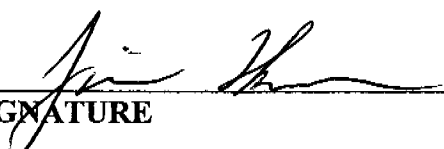
Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>-</u>
Amount of Gross-Up Tax Collected	<u>-</u>
Total Grossed-Up Contributions/Advances	<u>-</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE

4/13/05
DATE

Jim Thomson
PRINTED NAME

VP
TITLE

COMPANY NAME Rio Verde Utilities, Inc YEAR ENDING 12/31/2004

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2004 was: \$ 31,119

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

APR 15 2005

VERIFICATION

STATE OF AZ
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) <u>Maricopa</u>
NAME (OWNER OR OFFICIAL) TITLE <u>Jim Thomson VP</u>
COMPANY NAME <u>Rio Verde Utilities, Inc - Sewer Div</u>

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING**

MONTH <u>12</u>	DAY <u>31</u>	YEAR <u>2004</u>
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HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 907,164

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 3,374
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST
INCLUDE SALES TAXES BILLED OR
COLLECTED. IF FOR ANY OTHER REASON,
THE REVENUE REPORTED ABOVE DOES NOT
AGREE WITH TOTAL OPERATING REVENUES
ELSEWHERE REPORTED, ATTACH THOSE
STATEMENTS THAT RECONCILE THE
DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 13th DAY OF

Jim Thomson
SIGNATURE OF OWNER OR OFFICIAL
480-471-2247
TELEPHONE NUMBER

COUNTY NAME <u>MARICOPA</u>	
MONTH <u>APRIL</u>	YEAR <u>2005</u>

MY COMMISSION EXPIRES

OFFICIAL SEAL
DIANE LEDFORD
Notary Public - State of Arizona
MARICOPA COUNTY
My commission expires Mar 14, 2008

Diane Ledford
SIGNATURE OF NOTARY PUBLIC

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

APR 15 2005

VERIFICATION

STATE OF AZ

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>Maricopa</u>	
NAME (OWNER OR OFFICIAL) <u>Jim Thompson</u>	TITLE <u>VP</u>
COMPANY NAME <u>Rio Verde Utilities, Inc.</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2004</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

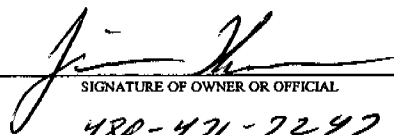
IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 737,827

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 0
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

X 
SIGNATURE OF OWNER OR OFFICIAL
480-421-2292
TELEPHONE NUMBER

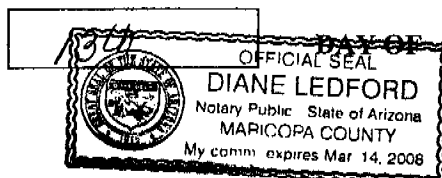
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

(SEAL)

MY COMMISSION EXPIRES



NOTARY PUBLIC NAME <u>DIANE LEDFORD</u>	
COUNTY NAME <u>MARICOPA</u>	
MONTH <u>APRIL</u>	<u>2005</u>

X 
SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the companies' year-end (Calendar Year 2004) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**



PARCEL/ACCOUNT# 622-80-003 6



MARICOPA COUNTY TREASURER

DOUG TODD, TREASURER
301 W JEFFERSON ST - RM 100
PHOENIX, AZ 85003-2199
http://treasurer.maricopa.gov
PHONE NUMBERS ON OTHER SIDE

PROPERTY DESCRIPTION
SEC/LOT TWN/BLK RNG/TR

TOTAL VALUE OF OPERATING PROPERTY

MARICOPA COUNTY 2004 PROPERTY TAX STATEMENT

NOTICE: SEE REVERSE SIDE FOR
IMPORTANT INFORMATION.

\$25.00 CHARGE IF CHECK
FAILS TO CLEAR BANK.

YOUR CHECK IS YOUR RECEIPT.

RIO VERDE UTILITIES INC
25609 N DANNY LN STE 1
RIO VERDE, AZ 85263-8131



LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 2003 AMT	2004 DISTRIBUTION		OFFICE USE ONLY
TYPE	LIMITED	%	ASSESSED			RATE / 100	2004 AMT DUE	
LAND/BLDG PERSONAL EXEMPTION	3500	25.0	875	COUNTY EDUC. EQUAL CITY SCHOOL CO. EDUC COMM. COL.	10.59 4.13 17.14 8.24	12108 04560 18931 9211	10.59 3.99 16.56 8.06	PRTKEY= SEQ= 58 MTG= LOAN#=
PRIM. TOT.	3500		875					
AREA CODE 000003				SUBTOTAL	40.10	44810	39.20	
FULL CASH (SECONDARY) VALUES				SECONDARY				TAX AMOUNT 63.54
TYPE	FULL CASH	%	ASSESSED					
LAND/BLDG PERSONAL EXEMPTION	3500	25.0	875	FLOOD CAWCD OVERRIDES FIRE DIST. ASST. LIBRARY "BONDS" - COUNTY - CITY - SCHOOLS - COMM COL.	1.86 1.08 06 46 61 1.21 5.26	2119 1200 0069 0521 1161 5070	1.86 1.08 06 46 1.02 4.46	DUE OCT. 1, 2004 DELINQUENT AFTER NOV. 1, 2004
SEC. TOT.	3500		875	SUBTOTAL				
SPECIAL DISTRICT (VALUE/ACHES/SQ FT) = ASSESSED				DIST#				
RIO VERDE FIRE DISTRICT				875 11578	17.28	22724	19.88	INTEREST ON LATE PAYMENT IS 16% PER YEAR PRORATED MONTHLY AS OF THE FIRST DAY OF THE MONTH. ARS § 42-18053
IF NOT PAID BY DELINQUENT DATES, CALL OR WRITE FOR INTEREST AMOUNT					62.64	TOTALS	\$63.54	

**KEEP THIS
PORTION FOR
YOUR RECORDS**

PAID

In accordance with the Americans with Disabilities Act, the County Treasurer will provide materials in alternative formats and
will make other reasonable accommodations upon request.

(11588 = PRTCNTL)

PARCEL/ACCOUNT# 653-00-003 5



MARICOPA COUNTY TREASURER

DOUG TODD, TREASURER
301 W JEFFERSON ST — RM 100
PHOENIX, AZ 85003—2199
<http://treasurer.maricopa.gov>
PHONE NUMBERS ON OTHER SIDE

PROPERTY DESCRIPTION
SEC/LOT TWN/BLK RNG/TR

TOTAL VALUE OF OPERATING PROPERTY

MARICOPA COUNTY 2004 PROPERTY TAX STATEMENT

NOTICE: SEE REVERSE SIDE FOR
IMPORTANT INFORMATION.

\$25.00 CHARGE IF CHECK
FAILS TO CLEAR BANK.

YOUR CHECK IS YOUR RECEIPT.

RIO VERDE UTILITIES INC
JIM THOMPSON/VICE PRESIDENT
25609 N DANNY LN STE 1
RIO VERDE, AZ 85263-8131

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 2003 AMT	2004 DISTRIBUTION		OFFICE USE ONLY
TYPE	LIMITED	%	ASSESSED			RATE / 100	2004 AMT DUE	
LAND/BLDG PERSONAL EXEMPTION	737532 754468	25.0	184383 188617	COUNTY EDUC. EQUAL CITY SCHOOL CO. EDUC COMM. COL.	PREVIOUS YEAR NOT AVAILABLE	12108 04560	4516.29 1700.88	PRTKEY= SEQ= 59 MTG= LOAN# =
PRIM. TOT.	1492000		373000			18931 9211	7060.90 3435.69	
AREA CODE 000003				SUBTOTAL		44810	16713.76	FIRST HALF TAX AMOUNT 13,340.61
FULL CASH (SECONDARY) VALUES				SECONDARY				
TYPE	FULL CASH	%	ASSESSED	FLOOD CAWCD OVERRIDES FIRE DIST. ASST. LIBRARY "BONDS" — COUNTY — CITY — SCHOOLS — COMM COL. SUBTOTAL				DUE OCT. 1, 2004 DELINQUENT AFTER NOV. 1, 2004
LAND/BLDG PERSONAL EXEMPTION	737532 754468	25.0	184383 188617			2119 1200	390.70 447.60	
				0069 0521	25.74 194.32			
SEC. TOT.	1492000		373000	1161 5070	433.04 1491.40			
SPECIAL DISTRICT (VALUE/ACRES/SQ FT) = ASSESSED				DIST#				SECOND HALF TAX AMOUNT 13,340.61
RIO VERDE FIRE DISTRICT			373000	11578		22724	8476.06	DUE MARCH 1, 2005 DELINQUENT AFTER MAY 2, 2005
IF NOT PAID BY DELINQUENT DATES, CALL OR WRITE FOR INTEREST AMOUNT.						TOTALS	\$26,681.22	INTEREST ON LATE PAYMENT IS 16% PER YEAR PRORATED MONTHLY AS OF THE FIRST DAY OF THE MONTH. ARS § 42-18053
								KEEP THIS PORTION FOR YOUR RECORDS

PAID

In accordance with the Americans with Disabilities Act, the County Treasurer will provide materials in alternative formats and
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(11587 = PRTCNLT)

RIO VERDE UTILITIES, INC.

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2004 AND 2003

THOMAS D. WENTZ
Certified Public Accountant
207 W. Clarendon Ave, #21D
Phoenix, Arizona 85013

Board of Directors and Shareholders
Rio Verde Utilities, Inc.
Rio Verde, Arizona

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying balance sheets of Rio Verde Utilities, Inc. as of December 31, 2004 and 2003 and the related statements of earnings, stockholder's equity, and cash flows for the year then ended. These statements are the responsibility of the Company's management. My responsibility is to express an opinion on these statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rio Verde Utilities, Inc. as of December 31, 2004 and 2003 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.



Thomas D. Wentz
Certified Public Accountant

February 18, 2005

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31	
	<u>2004</u>	<u>2003</u>
ASSETS		
PROPERTY, PLANT AND EQUIPMENT (NOTE 2,8)	\$13,090,870	\$12,939,126
Accumulated Depreciation	<u>3,506,041</u>	<u>3,152,444</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>9,584,829</u>	<u>9,786,682</u>
CURRENT ASSETS		
Cash and Cash Equivalents	1,539,899	1,020,804
Accounts Receivable (\$0 allowance for Doubtful Accounts)	96,412	91,705
Unbilled Revenue	31,933	32,352
Materials and Supplies Inventory	1,583	1,062
Income Tax Refunds	0	54,575
Prepaid Expenses	<u>36,251</u>	<u>44,732</u>
TOTAL CURRENT ASSETS	<u>1,706,078</u>	<u>1,245,230</u>
OTHER ASSETS		
Plant Held For Future Use (Note 8)	1,583,867	1,583,867
Deferred Finance Fees (Note 3)	30,541	33,359
Restricted Cash (Note 4)	374,374	372,019
Restricted Cash - Construction Bond	0	97,140
Investment (Note 4)	109,534	85,243
Due From Related Party	3,925	3,925
Deposits	<u>1,000</u>	<u>1,000</u>
TOTAL OTHER ASSETS	<u>2,103,241</u>	<u>2,176,553</u>
TOTAL ASSETS	<u>\$13,394,148</u>	<u>\$13,208,465</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31	
	<u>2004</u>	<u>2003</u>
STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
Common Stock (\$1 par value, 10,000,000 shares Authorized: 2,840,721 Shares Issued and Outstanding	\$2,840,721	\$2,840,721
Retained Earnings	2,651,965	2,189,829
TOTAL STOCKHOLDERS' EQUITY	<u>5,492,686</u>	<u>5,030,550</u>
LONG-TERM DEBT (NET OF CURRENT MATURITIES) (NOTE 4)		
	<u>4,096,487</u>	<u>4,274,316</u>
CURRENT LIABILITIES		
Current Maturity of Long-Term Debt (Note 4)	186,607	173,280
Accounts Payable	66,989	163,464
Current Portion of Meter Deposits	22,500	22,000
Advances From Related Parties (Note 6)	0	38,291
Income Taxes Payable	53,528	724
Accrued Interest Payable	19,924	17,613
Accrued Property Taxes	24,874	26,575
Other Accrued Liabilities and Expenses	21,533	21,233
TOTAL CURRENT LIABILITIES	<u>395,955</u>	<u>463,180</u>
DEFERRED LIABILITIES		
Meter Deposits (Net of Current Portion)	110,589	102,944
Deferred Income Taxes and Investment Tax Credits (Note 5)	473,617	462,148
TOTAL DEFERRED LIABILITIES	<u>584,206</u>	<u>565,092</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>2,824,814</u>	<u>2,875,327</u>
TOTAL STOCKHOLDER'S EQUITY AND LIABILITIES	<u>\$13,394,148</u>	<u>\$13,208,465</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF EARNINGS
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED DECEMBER 31	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUE		
Water Revenue	\$1,270,300	\$1,222,802
Sewer Services	903,789	874,715
TOTAL OPERATING REVENUE	<u>2,174,089</u>	<u>2,097,517</u>
OPERATING EXPENSE		
Salaries	186,190	169,404
Employee Benefits	19,850	19,702
Payroll Taxes	18,328	18,332
Purchased Water	54,540	53,790
Purchased Power	204,281	190,723
Repairs and Maintenance	175,512	225,001
Water Testing and Treatment	41,112	40,516
Professional Fees	9,992	12,024
Transportation	13,339	8,493
General Office and Administrative	7,285	7,983
Bad Debt		196
Telephone	3,194	3,594
Management Fee	172,328	172,270
General Insurance	42,000	43,594
Rate Case Expense Amortization	6,666	20,000
Depreciation (Note 2)	247,589	247,257
Other Utility Expense	37,359	32,812
Property Taxes	46,900	48,000
Income Taxes (Note 5)	278,750	257,213
TOTAL OPERATING EXPENSES	<u>1,565,215</u>	<u>1,570,904</u>
EARNINGS FROM OPERATIONS	<u>608,874</u>	<u>526,613</u>
OTHER INCOME <EXPENSE>		
Interest Income	16,846	11,785
Patronage Dividend	34,702	35,836
Amortization Finance Fees (Note 3)	(2,818)	(2,818)
Interest Expense (Note 4)	(262,647)	(265,123)
Income Tax Benefit (Note 5)	67,179	72,298
TOTAL OTHER INCOME <EXPENSE>	<u>(146,738)</u>	<u>(148,022)</u>
NET EARNINGS	<u>\$462,136</u>	<u>\$378,591</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(SEE INDEPENDENT AUDITOR'S REPORT)

	<u>COMMON STOCK</u>		<u>RETAINED EARNINGS</u>
	<u>NUMBER OF SHARES</u>	<u>AMOUNT</u>	
BALANCE - DECEMBER 31, 2002	2,840,721	\$2,840,721	\$1,811,238
NET EARNINGS			378,591
BALANCE - DECEMBER 31, 2003	2,840,721	2,840,721	2,189,829
NET EARNINGS			462,136
BALANCE - DECEMBER 31, 2004	2,840,721	\$2,840,721	\$2,651,965

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF CASH FLOWS
INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED	
	DECEMBER 31	
	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Customers	\$2,147,317	\$2,010,842
Cash Paid for Operations	(1,128,797)	(917,573)
Interest Received	14,491	10,292
Interest Paid	(260,336)	(266,458)
Income Taxes (Paid) Refund	(92,723)	(311,436)
Other Income	10,411	10,750
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>690,363</u>	<u>536,417</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(151,744)	(323,519)
NET CASH USED IN INVESTING ACTIVITIES	<u>(151,744)</u>	<u>(323,519)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long Term Debt	(164,502)	(152,020)
Payment of Restricted Cash - Construction Bond		(97,140)
Proceeds From Restricted Cash - Construction Bond	97,140	
Proceeds From Customer Meter Deposits	30,629	15,600
Proceeds From CIAC	55,500	
Receipt (Payment) of Advances From Related Company	(38,291)	(15,834)
NET CASH PROVIDED <USED> IN FINANCING ACTIVITIES	<u>(19,524)</u>	<u>(249,394)</u>
NET INCREASE <DECREASE> IN CASH	519,095	(36,496)
CASH AND CASH EQUIVALENTS - BEG OF YEAR	1,020,804	1,057,300
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,539,899</u>	<u>\$1,020,804</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF CASH FLOWS
RECONCILIATION OF NET EARNINGS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED	
	DECEMBER 31	
	<u>2004</u>	<u>2003</u>
NET EARNINGS	<u>\$462,136</u>	<u>\$378,591</u>
ADJUSTMENTS		
Depreciation and Amortization	250,402	250,076
Accounts Receivable	(26,772)	(40,423)
Inventory	(521)	735
Prepaid Income Taxes	54,575	(54,575)
Prepaid Expense	8,481	2,552
Restricted Cash	(2,355)	(1,493)
Investments	(24,291)	(25,086)
Accounts Payable	(96,475)	138,630
Accrued Property Taxes	(1,701)	6,774
Accrued Liabilities	300	169
CAP Surcharge Payable	0	(46,252)
Accrued Interest Payable	2,311	(1,335)
Income Taxes Payable	52,804	(128,243)
Deferred Income Taxes and Investment Tax Credits	11,469	56,297
TOTAL ADJUSTMENTS	<u>228,227</u>	<u>157,826</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$690,363</u>	<u>\$536,417</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is a regulated utility providing water and sewer services in a certified area located in Rio Verde, Arizona. The Company's financial instruments that are exposed to credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company is wholly owned by Second Arizona Rio Verde Company, 1974.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Periodically, the Arizona Corporation Commission reviews the basis of the plant and equipment and may require adjustments for establishing rates the company may charge its customers. The Company has adjusted the basis of its assets to comply with the Arizona Corporation Commission orders. In accordance with standard accounting practices prescribed for water and sewer utilities, renewals and betterment are charged to plant accounts and the cost of depreciable property retired less salvage value is removed from the utility plant accounts and charged to accumulated depreciation.

Depreciation of property, plant and equipment is computed using the straight line method over the useful life of the assets as prescribed by the Arizona Corporation Commission.

Deferred Income Taxes

Income taxes have been provided for temporary differences between income tax and financial accounting. Temporary differences relate primarily to the different methods and useful lives used for the calculation of depreciation. Investment tax credits are deferred for financial statement reporting and amortized over the estimated useful life of the related property. (see note 5)

Customer Meter Deposits

The Company is refunding meter deposits received from customers in equal installments, without interest, over a ten-year period.

Revenue Recognition

Revenues are recognized as services are rendered. Rates and service charges are set by the Arizona Corporation Commission.

**RIO VERDE UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions in Aid of Construction

Contributions in aid of construction are nonrefundable contributions by developers and customers for plant expansion. In addition, this amount includes the remaining balance, if any, of advances in aid of construction at the end of the repayment period. The contributions in aid of construction are being amortized at a rate equal to the rate allowed for depreciation, as a reduction of depreciation expense.

Accounting Records

The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the National Association of Regulatory Utility Commissioners.

Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

Major classifications of property, plant and equipment are summarized below:

Water Utility Plant	2004	2003
Land	\$176,512	\$176,512
Construction Work in Process	332,922	377,137
Utility Plant	6,949,288	6,922,714
Transportation Equipment	37,343	37,343
	<hr/> 7,496,065	<hr/> 7,513,706
Accumulated Depreciation and Amortization	1,998,788	1,785,159
	<hr/>	<hr/>
Net Water Utility Plant	<u>\$5,497,277</u>	<u>\$5,728,547</u>

RIO VERDE UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2004	2003
Sewer Utility Plant		
Land	\$50,513	\$50,513
Construction Work in Process	165,107	0
Utility Plant	5,347,090	5,342,812
Transportation Equipment	32,095	32,095
	<u>5,594,805</u>	<u>5,425,420</u>
Accumulated Depreciation and Amortization	1,507,253	1,367,285
Net Sewer Utility Plant	<u>\$4,087,552</u>	<u>\$4,058,135</u>
Total Property, Plant and Equipment	<u>\$9,584,829</u>	<u>\$9,786,682</u>

Depreciation and amortization charged to earnings:

Depreciation	Rate		
Water Utility	3.064119%	\$139,972	\$212,863
Sewer Utility	2.603750%	213,629	139,628
		<u>\$353,601</u>	<u>\$352,491</u>
Amortization of Contributions in Aid of Construction			
Water Utility	3.064119%	\$61,309	\$44,335
Sewer Utility	2.603750%	44,703	60,899
		<u>\$106,012</u>	<u>\$105,234</u>
Net Depreciation		<u>\$247,589</u>	<u>\$247,257</u>

NOTE 3 - DEFERRED CHARGES

Deferred Finance Fees:		
Finance Fees	\$48,523	\$48,523
Accumulated Amortization	(17,982)	(15,164)
	<u>\$30,541</u>	<u>\$33,359</u>

Finance fees are being amortized over term of the debt for which it was paid. The amortization ranges from 180 months to 240 months.

RIO VERDE UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2004</u>	<u>2003</u>
Note payable to CoBank due in monthly installments of principal and interest, final payment due May 20, 2016, interest is at a fixed of 9.8% on one-half of the outstanding balance and at a variable rate on the other half. The variable rate at December 31, 2004 was 5.25%. The note is secured by assignment of the capital stock and assets of the Company. The Company is required to maintain a debt service reserve account with the Lender.	\$1,525,206	\$1,600,337
Note payable to CoBank due in monthly installments of principal and interest, final payment due December 21, 2021, interest is variable and may be adjusted as interest rates fluctuate. The rate at December 31, 2004 was 5.25%. The note is secured by assignment of the capital stock and assets of the Company. The Company is required to maintain a debt service reserve account with the Lender.	2,275,370	2,344,584
9.8% note payable to Second Arizona Rio Verde Company, 1974 (the shareholder of the Company) due in monthly principal and interest installments of \$5,711, final payment due December 31, 2016.	<u>482,518</u>	<u>502,675</u>
Total Long-Term Debt	\$4,283,094	\$4,447,596
Current Portion	<u>186,607</u>	<u>173,280</u>
Long Term Portion	<u><u>\$4,096,487</u></u>	<u><u>\$4,274,316</u></u>

**RIO VERDE UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

Note payable to CoBank due in monthly installments of principal and interest, final payment due May 20, 2016, interest is at a fixed of 9.8% on one-half of the outstanding balance and at a variable rate on the other half. The variable rate at December 31, 2004 was 5.25%. The note is secured by assignment of the capital stock and assets of the Company. The Company is required to maintain a debt service reserve account with the Lender.

<u>2004</u>	<u>2003</u>
\$1,525,206	\$1,600,337

Note payable to CoBank due in monthly installments of principal and interest, final payment due December 21, 2021, interest is variable and may be adjusted as interest rates fluctuate. The rate at December 31, 2004 was 5.25%. The note is secured by assignment of the capital stock and assets of the Company. The Company is required to maintain a debt service reserve account with the Lender.

2,275,370	2,344,584
-----------	-----------

9.8% note payable to Second Arizona Rio Verde Company, 1974 (the shareholder of the Company) due in monthly principal and interest installments of \$5,711, final payment due December 31, 2016.

482,518	502,675
---------	---------

Total Long-Term Debt

\$4,283,094	\$4,447,596
--------------------	--------------------

Current Portion

186,607	173,280
----------------	----------------

Long Term Portion

\$4,096,487	\$4,274,316
--------------------	--------------------

RIO VERDE UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 5 - INCOME TAXES (CONTINUED)

Certain items of income and expenses are recognized in different years for financial reporting and income tax purposes. Deferred income taxes are accounted for in recognition of these temporary differences.

As required by the regulatory agency, deferred investment tax credits are recognized for financial statement purposes in the year in which they are utilized for federal income taxes and amortized over the estimated remaining life of the assets from which the investment tax credit originated.

NOTE 6 - RELATED PARTY TRANSACTIONS

A related company provided management and office and administrative services in the amount of \$172,100 and \$172,270 in 2004 and 2003, respectively.

The Company has a long term note payable to a related Company (see note 4). Interest paid to a related company was \$48,373 and \$50,247 in 2004 and 2003, respectively.

NOTE 7 - SUPPLEMENTAL CASH FLOW INFORMATION

The Company engaged in the following non - cash transactions:

	<u>2004</u>	<u>2003</u>
Customer meter deposits refunds applied to amounts due from customers	\$22,484	\$22,140

NOTE 8 - REGULATORY RATE DECISION

The Arizona Corporation Commission granted the Company a rate increase effective May, 2001. The regulatory agency also determined that the Company had excess capacity and required the Company to remove the excess capacity from the rate base. All previously recorded depreciation and deferred income taxes relating to the excess plant capacity has also been reversed.

NOTE 9 - CAP SURCHARGE

During 1999, the Arizona Corporation Commission approved a surcharge to allow the Company to recover costs to purchase water from the Central Arizona Water Project. The order was appealed to the Arizona courts and was reversed by the court during 2001. The amounts were refunded in 2003.